



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
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IN REPLY
REFER TO

AQOC

NOV 19 1996

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS**

SUBJECT: Single Process Initiative (SPI) -- Cost Benefit Analysis

The Department is expecting substantial savings from contractors' implementation of SPI. As such, one of the key elements of a contractor's concept paper is the inclusion of a rough order of magnitude cost benefit analysis.

It is the responsibility of the Administrative Contracting Officer (ACO) to ensure that the cost benefit analysis is adequate. This means that the analysis is based upon empirical data; that it includes the major activities needed to implement the process, and an estimated cost for each; and that it identifies those requirements to be deleted along with an estimated annual saving to both existing and future contracts. The cognizant Defense Contract Audit Agency (DCAA) field office should be requested to analyze the cost benefit analysis and provide advice as to its reasonableness. As always, ACOs should continue to use sound business judgment in arriving at their decisions.

To better posture ourselves for questions in this area, Contract Administration Offices should begin reporting in their weekly reports, the contractor's estimated cost to implement the proposed process change and their estimate of annual savings and avoidances to both existing and future contracts. I also want included in the report, those estimates arrived at by DCAA and their rationale for any differences .

Questions on this matter should be directed to Ms Marialane Schultz, my SPI Team Leader. She can be reached on (703) 767-2471, DSN 427-2471, or via the internet at marialane_schultz@hq.dla.mil.

ROBERT W. DREWES
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Commander